Partnering and the Business Case

- Define the Problem
  - Who has the problem?
  - What kind of a problem (financial, environmental, social?)

- What’s our solution?
  - How will it eventually be applied
  - Who are the influencers?

- What are the Projected Returns?
  - Financial
  - Environmental
  - Social
  - Governance

- What are the risks?
  - The business environment
  - Regulatory
  - Competitive
“War Stories”

- The researcher who develops a diagnostic that will fit the right drug for the right person and tries to launch a business with government as the payer.
- The company that develops a less expensive and (arguably better) retractable syringe and runs into competition from the larger sellers of syringes.
- When better is not necessarily best for the market.
Fundamentals of attracting partners

- Begin with the premise that a partnering deal benefits both parties
  - Both partners need to have their needs satisfied
  - Investors and Commercial Partners have their own businesses to enhance and are not interested in research for its own sake

- Look for value-added partners to jointly move your ideas/inventions toward a common goal

- Use a targeted approach (the right solution of the right customer)

- Find champions within the organization with which you want to Partner
Form a company or license?

- Company Formation needs its own business case
- Companies need management
  - What role do you want to play?
  - What resources will you need (human and financial capital)
  - What are the risks?
    - Technology risks
    - Financial risks
    - Competitive risks
    - Regulatory risks
- Licensing keeps you as an academic and offers both financial returns for the institution and your self
Potential Early-stage Partners

- Foundations with an investment arm
  - JDRF; Cystic Fibrosis
    - These foundations apply their investment strategy broadly

- Early-stage Investment funds
  - [http://www.accel-rx.com](http://www.accel-rx.com) ($500K-1M); partnered with Business Development Bank
  - Industrial Accelerator Fund
    - The IAF invests up to $500,000 in early-stage companies that have the potential to be global leaders in their field and provide sustainable economic benefits to Ontario.
    - The Youth IAF invests up to $250,000 in innovative technology-based companies where the majority of founders are under the age of 30.
  - Ontario Genomics (PBDF; Spark)

- CQDM (Quebec-based with a broader mandate)
  - CQDM have a number of programs for which non-Quebec-based scientist can apply

- Ontario Centers of Excellence

- Big Pharma/Biotech within your area of interest

- Amorchem (focuses on licensing deals)
Once you have Proof of Concept!

- **Angel Investors**
  - High net-worth individuals who identify with your ideas

- **Venture Investors**
  - Understand their focus: early or late stage or both
  - Often specialized for particular sectors

- **Corporate VC Funds**
  - Johnson and Johnson Development Corp
  - SR One (affiliated with GSK)
  - Novartis Ventures
  - Others
Types of Investors

- Family, Friends and high net worth individuals- "Angels" (equity and debt)
  - Include yourself in this group
  - Seek angels who have been successful in your target market
  - Understand what they expect

- Venture Capital (equity and debt)
  - Primarily interested in high growth potential in large markets
  - Looking for returns of > 3x invested capital
  - Bring knowledge of the industry (e.g., potential partners)
  - Will want to sell their shares at one point

- Banks and other lenders (debt)
  - Usually require collateral
  - Most often invest in businesses with revenue
Translating an Idea into a Business

What not to do

- Try to commercialize your idea to fund your research
- Try to build a business by yourself
- Avoid comparing your approach to what is out there
- Fail to treat your investors as partners

How to be successful!

- Identify a problem that can be solved by your idea
- Solicit advice
- Understand your capital needs and target investors
Life Sciences: Many Business Models

- Educational tools (business to consumer)
  - Textbooks; Method manuals; Novel Lab notebooks
  - Living Wills; Clinical assessment tools

- Services
  - Research services (CRO)
  - Manufacturing (CMO)

- Novel diagnostics or diagnostic platforms

- Medical Devices or Therapeutic devices

- Novel Therapies

Will you manufacture and sell to the final user or to other businesses?
The Business Model: how you make money

- Intellectual property allows you to protect your idea
  - Patents are critical for products that require a lot of capital
  - Copyright is often used to protect software solutions
  - Trademarks avoid look-alike competition

- Recurring revenue makes a business more attractive
  - Devices that come with consumables
  - Subscription models for software solutions

- Maximize profit for yourself and your investors

- Ensure you have sufficient working capital!
Challenges facing the entrepreneur

- Understanding the market
  - Is my solution filling a void or is it better, faster, cheaper?
  - Who are my competitors?
  - Who are my customers?; How do I reach them?
  - What is the sales cycle?
  - What are the barriers to adoption?
  - How will I get paid?

- Finding the right kind of capital

- Developing a Business Plan and Pitch-deck for Investors
The Business Plan and Pitch Deck

- There are many BP templates accessible on the internet.
- Work with someone who has experience!
- Vision, Mission?
- Lay out clearly the problem and why your solution is unique.
- Describe the technology simply and why it will work (do you have proof of concept - show the killer experiment(s)).
- Provide financing requirements and use of proceeds.
- Describe the management plan.
- Do not write it like a grant application!
The Plan will Change

- Once you get a partner to show interest, the journey begins.
- The plan will be honed prior to the first cheque.
- Continually refine your plan especially wrt:
  - Your niche in the market
  - What tasks will create value along the way
  - Preparing for initial failure and how to respond